

HOUSING FINANCE TRAINING ASSESSMENT

Executive Summary

The purpose of this assessment is to provide USAID's Regional Housing and Urban Development Office for Eastern Europe with an analysis of the medium-term needs for training in the field of housing finance, and of the existing opportunities for provision of that training; with recommendations on components of a medium-term strategy for meeting those needs from resources available to USAID, Bud Bank and other resources.

The Consultants undertaking this assignment were Grzegorz Jêdrys, Steve Rogers and Christine Ekkebus, whose resumes are contained in Appendix #8 of this report. Their assignment consists of three main tasks:

- Identify the training needs of banks in the area of housing finance. (Task 2).¹
- Assess the ability and interest of housing providers to deliver housing finance training (Task 3).
- Prepare recommendations on training that will best meet the needs of the banks (Task 4).

The results from Task Two revealed that the banks need training in all areas of housing finance. The training needs are extensive and critical if banks are to improve their capacity to make housing loans and to meet customer demand. The banks stated that training was needed at all staff levels, including credit officers, credit supervisors/department heads, branch managers, mid-management, upper management and board of directors. Training needs are just as critical at the management and board level as they are at the credit officer level but today the banks are emphasizing training at the lower staff levels.

Task two focused on the training needs in housing finance only. Although many banks have training coordinators and access to adequate physical training facilities, none have professional, full time trainers. Most banks indicated a willingness and desire to develop such trainers. The banks prefer training in-house as much as possible, both now and in the future. Adequate training in non-housing finance areas is carried out in-house, however the banks realize that the current lack of in-house expertise in housing finance limits their ability to provide adequate training in that area. Bank in-house training in housing finance most often consists of on-the-job training by fellow workers although there are beginning to be notable exceptions.

Task three determined that no single training provider is currently offering a comprehensive housing finance program that would meet the training needs identified in

See Statement of work in Appendix (item number 9, Roman numeral IV) for Task numbers. Task 1 was "Preparatory Work" which was addressed in advance of this paper.

task two. While most training providers expressed an interest in providing such a program, they realized they do not have experienced Polish faculty to deliver this type of program effectively. The banking schools routinely survey their students, bank advisors and bank employees to determine their upcoming curricula, and so far housing finance has not been identified as a priority need.

Task four recommends that training in housing finance be conducted using the structure of the four banking schools already established throughout Poland, with supervision by a Polish coordinator approved by USAID. In order to meet the banks' requirements for Polish practitioners, the assessors recommend a program with two delivery methods: an interim program to meet the immediate and on-going training needs and a permanent program to meet the long-term need to train housing finance practitioners to become trainers. It is recommended that initially both interim and permanent training programs be designed and delivered by Western experts using Polish practitioners wherever possible, because the requisite training expertise in housing finance is not yet available in Poland. The interim training would take place in various forms from one-half day conferences to four to five day sessions depending on the requirements at different staff levels. The permanent program is designed to develop Polish practitioners who, in turn, will be able to give course training as well as train others to provide either in-house or external classroom training. Both programs are designed to build a sustainable training program.

1.0 Housing Finance Training Needs

1.1 Background

The purpose of this section is to identify and set out the current and medium-term (over the next three to four years) housing finance training needs² for Bud Bank and the retail banks. During the course of this assignment, the Consultants contacted fourteen banks, including Bud Bank, and numerous other institutional representatives among which were several USAID Contractors.³ The banks contacted represented an excellent sampling of banks either involved or about to be involved in housing finance.

According to information in a recent edition of the Rzeczpospolita newspaper⁴, there

Training needs are different from and should not be confused with technical assistance needs although it is a fine line.

See "List of Contacts" in the Appendix, item number 7, for a full description of all contacts made including the persons spoken with, addresses, and phone / fax numbers.

See "Rzeczpospolita Matrix" in Appendix item number 6.

are currently sixteen Polish banks offering housing loans⁵, eleven⁶ of which were contacted for this assessment. An attempt was made to survey both small and large banks both in terms of employees and asset size. The asset size⁷ of the surveyed banks varied from PLN 48.8 million to PLN 28.8 billion. Thus, the two largest Polish banks in terms of asset size were interviewed as well as six of the ten largest banks, while employee size varied from banks with less than 100 to over 40,000 staff. As the intended use of this assessment is to make enhanced housing finance training available to all interested Polish commercial banks, the banks contacted consisted of some participating in the Mortgage Fund as well as some that are not yet participating.

The information was collected from the banks by direct interviews⁸. The Consultants designed a “Bank Questionnaire”⁹ whose purpose was to keep the interview focused so that pertinent information could be efficiently and effectively obtained. A “Housing Finance Personnel Fax Survey”¹⁰ was also created and was distributed directed to bank staff. Over 150 responses to the Survey were received from various staff including credit officers, credit supervisors and vice/branch directors, with most responses coming from credit officers. The data from the Bank Questionnaire and Housing Finance Personnel Fax Survey was consolidated and is set out in the Appendix under items 2A and 4 respectively.

To fully comprehend the banks’ training needs in housing finance, it is important to define and understand the loan products that banks offer¹¹. Due to various Polish laws adversely affecting collateral rights and lien positions of lenders, some banks call their product “housing loans” because the collateral is often something other than a lien on the real estate. This is a creative way of meeting customer housing needs and reflects well on the banks’ ability to design products to fill market demands. These banks have managed to make housing loans based on consumer lending expertise instead of housing finance expertise, and therefore they probably still lack housing finance skills. In general, banks offer various housing and real estate finance loans with medium- and long-term maturities on new and existing flats and/ houses; for renovation, modernization, additions and finishing of flats and houses; for single-family construction; and in a few cases, multi-family construction loans for subdivisions and

For the purpose of this report, it should be understood that some banks offer what they call “housing loans” because they will take other acceptable collateral in lieu of a mortgage lien.

Three of the fourteen banks contacted (Bud Bank, PEKAO and BGK) are not on the matrix.

See “Key Bank Data” in Appendix, item number 5.

Of the banks on the List of Contacts, only Petro Bank refused to meet saying that all their training needs would be fulfilled by Bud Bank. Petro Bank is reportedly not actively seeking to make Housing Finance loans.

See “Bank Questionnaire” in Appendix, item number 1.

See “Housing Finance Personnel Fax Survey” in Appendix, number 3.

For specific loan product information, see “Rzeczpospolita matrix” in the Appendix, item 6.

blocks of apartments. An unknown number of loans are also made for construction purposes under the guise of commercial lending to enterprises, similar to the aforementioned “housing loans”.

For this assessment to more accurately identify training needs, it was also important to identify the organizational staff level structure of banks in housing finance lending. Insofar as housing finance is a relative new and as yet an unproven profitable product able to justify specialization, an unclear delineation of job duties between staff levels exists in many banks, including some overlap. Although differences exist among banks, staff levels can generally be categorized as follows, starting at the lowest level: credit officer, credit supervisors/ department managers, vice /branch directors, mid-management at headquarters and regional branches, upper-management and finally the Board of Directors.

For the most part, there is no specialization yet where credit officers and credit supervisors operate only in housing finance but rather they are expected to make all types of consumer loans. PBG has a few credit officers who now specialize in housing finance and, of course, all PKO , PAM Bank and BISE credit officers specialize in housing finance. Accordingly, there is no bank-wide specialization among housing finance credit officers which would separate them into the various specialties such as mortgage credit officers, single-family credit officers, and multi-family credit officers.

1.2 Current Status of Banks' Housing Finance Programs

The status of the housing finance lending and training at the banks interviewed is summarized below.

- **PKO** The oldest housing lender in the country that is painfully adapting to market condition lending. Has 400 branches plus another 400 sub-branches nationwide, all of which accept applications, but only branches underwrite. Approximately 800 personnel are involved directly (not including support like accounting, personnel, etc.) in housing finance. Made 5,729 non-subsidized “housing” loans from August, 1995 through March, 1996. Is making very few single-family construction loans currently, and no multi-family construction due primarily to lack of expertise in market lending. Training needs are enormous especially at the credit officer level.

Has no professional housing finance trainers. Provides most housing finance training on the job. PKO is introducing a 3-5 day, two session housing finance course to mid-management this year to be taught primarily by U. S. experts. Will repeat the course if it is deemed a success. Has appropriate physical training facilities. Envisions future training being a combination of in-house and external training.

- **PEKAO** Began mortgage or “housing” lending July 1, 1996 with several products. Will begin single-family construction lending after experience is gained in mortgage lending and may start multi-family construction lending in 1997 or 1998. Has 130 branches nationwide of which 7 in different cities will initiate housing finance lending with expansion to other branches as appropriate. (PEKAO mentioned the proposed consolidation of PEKAO, Bank Depozytowo-Kredytowy, PBG and Pomorski Bank Kredytowy which would give it over 500 branches but the consequences of this possibility is not part of the scope of this paper.) Currently, approximately 26 persons are directly involved in housing finance. Full training is needed by the 26 persons who have virtually no experience.

Has no professional housing finance trainer. Bank is too inexperienced at this point to provide on-the-job training. Will have a proper physical training facility by end of 1996. Has a definite preference for all external training to be tailored to fit its specific needs.
- **PBG** Began housing finance lending in 1994 as one of the first participating banks in the Mortgage Fund. Offers mortgage, single-family and multi-family construction loans. Has made approximately 150 mortgages, 55 single-family construction and 7 multi-family construction loans to date. PBG is the most experienced “non-subsidized” multi-family lender in Poland but 5 of the 7 loans were made by one branch. Has 100 branches nationwide of which 80 could potentially offer housing finance. Currently 30 branches have been trained of which 15 have lending experience. Has 60 personnel currently directly involved in housing finance of which 30 are experienced. Training needs are extensive at all staff levels.

Has no professional housing finance trainer. Provides most housing finance training on-the-job. Has appropriate physical training facilities. Envisions future training being a combination of in-house and external training.
- **PBK** Began housing finance lending in April, 1996. Offers mortgage, single-family and multi-family loans but has no experience, therefore construction lending, especially multi-family, is questionable. Has 50 branches nationwide of which 20 currently offer housing finance with another 20 expected this summer, bringing the total personnel directly involved in housing finance to approximately 80. Needs extensive training in all staff levels, especially in construction lending.

Has no professional housing finance trainer. Provides most housing finance training on-the-job but has brought in PADCO and HFPO to provide some training. Has appropriate physical training facilities. Envisions future training being a combination of in-house and external training.

- Bank OGI'ski Began housing finance lending in 1995. Has made over 700 "housing" loans to date which includes an unknown number of single-family and maybe a few multi-family construction loans. Has 81 branches nationwide all of which theoretically can take applications but in practice only 51 will do so. Has approximately 100 persons directly involved in housing finance which is expected to increase to 144 in the next 3-5 years. Training needs are extensive across all staff levels but especially at the credit officer and credit supervisors/department heads level. Only bank to mention a need for training of trainers.

Has no professional housing finance trainer. Has appropriate physical training facilities. Envisions future training being a combination of in-house and external training. Specifically mentioned that it wants to develop professional trainers.

- BPH Began housing finance lending in late 1995. Offers "housing" loans and single-family construction. No figures on the number of loans made to date. Has 100 branches nationwide all of which theoretically can take applications but in practice only approximately 21 accept applications. Has approximately 150 persons directly involved in housing finance. Training needs are extensive.

Has no professional housing finance trainer. Status of appropriate physical training facilities is unknown.

- Bank. Zachodni Began offering "housing" loans April 1, 1996 and may offer single-family construction loans with multi-family loans possible in 1997. Has made 200 loans to date. Has 90 branches and 66 sub-branches nationwide all offering housing loans with only the branches underwriting. Has approximately 300 persons directly involved in housing finance. Training needs are extensive at all levels especially credit officers and credit supervisors/department heads.

Has no professional housing finance trainer. Has appropriate physical training facilities. Envisions future training being a combination of in-house and external training. Specifically

mentioned that it wants to develop professional trainers.

- **GBW** Began housing finance lending in 1994 as one of the first participating banks in the Mortgage Fund. Offers mortgage, single-family and multi-family construction loans. Has made approximately 50 mortgages, 15 single-family construction but no multi-family construction loans to date. Has 11 branches ¹² in the Poznań (Wielkopolska) area of which only headquarters is currently lending for housing but the balance of branches are expected to accept applications in July, 1996. Will have approximately 24 personnel directly involved in housing finance of which only 4 are trained. Complete training is needed for 20 credit officers and advanced training for the 4 experienced persons.

No professional housing finance trainer. Provides most housing finance training on-the-job but is working with University of Economics in Poznań to possibly develop specific training. Rents appropriate physical training facilities when needed. Envisions future training being a combination of in-house and external training.
- **GBG** Began Housing Finance lending in 1995 as a participating bank in the Mortgage Fund. Offers mortgage, single-family and multi-family construction loans. Has made approximately 8 mortgages and 6 single-family construction loans, but no multi-family construction loans to date. Has 12 branches and 6 sub-branches in Silesia all of which accept applications but only the branches underwrite. Has approximately 45 personnel directly involved in housing finance of which 20 were trained by Bud Bank and another 10 will be trained this fall. Complete training and retraining is needed for all personnel. GBG is the only bank to specifically mention a training need for 10 legal specialists.

Has no professional housing finance trainer. Has limited experience and looking to Bud Bank to provide housing finance training as needed. Rents appropriate physical training facilities when needed. Envisions future training being a combination of in-house and external training.
- **BGK** This bank has been designated by the Ministry of Finance to be the agent for the National Housing Fund (NHF). No training needs are required for NHF's Contract Savings Program as it will only act as a funds disbursing agent for Ministry of Finance. Bank responsibility under the Social Housing Program (TBS) will be to

GBW has 200 associated cooperative banks which may someday enter the housing finance business.

underwrite loans and 10 persons are now being prepared for this task. Even though the TBS program is not a “private housing finance” program, personnel will need training. To date, training has consisted of approximately 30 hours by the Warsaw School of Banking. More training is needed.

Has no professional housing finance trainer .

- **BISE** Began housing finance lending in 1994 as one of first participating banks in the Mortgage Fund. Offers mortgage loans, and single-family and multi-family construction loans. Has made approximately 160 mortgages, an unknown amount of single-family construction loans, and 2 or 3 multi-family construction loans to date. Has one branch in Warsaw and will open two other Warsaw branches in 1997. BISE specializes in housing finance but most employees are “back office” with approximately 12 personnel directly involved in housing finance with a projected increase to 20 in 1997. BISE is an excellent mortgage lender but has specific needs on a small scale.

Has no professional housing finance trainer but sends key personnel to Credit Foncier in Paris as appropriate. Does not have a physical training facility. Envisions future training being a combination of in-house and external training.

- **PAM Bank** Began housing finance lending in 1993. Offers mortgage, single-family and multi-family construction loans. Has made approximately 800 mortgages, an unknown amount of single-family construction and 1 or 2 multi-family construction loans to date. Has one branch in Warsaw and a loan production office in Gdańsk. Since PAM is a specialized mortgage bank, all of its 53 employees are somehow connected to housing finance lending. PAM is an excellent housing finance lender and despite its size has made the second highest number of mortgages among Polish banks. PAM has specific training needs on a small scale.

Has no professional housing finance trainer but sends key personnel to Dime Bank in New York as appropriate. Does not have a physical training facility.

1.3 Training Needs Assessment

The banks need extensive training in all areas of Housing Finance . Several banks knew exactly what they needed in housing finance training. However, banks in general were not good at identifying more than a couple of their specific training needs even though the overall needs were expressed as being extensive. The banks knew that they need

training but most could only identify a need when asked about it in a specific question. Even Bud Bank management stated that participating banks (PBs) ¹³ needs are large but Bud Bank technicians who deal with the PBs on a daily basis could not identify a single training need for the PBs and in fact indicated that the banks in the Mortgage Fund are sufficiently trained. (These same technicians are also of the opinion that Bud Bank itself needs no training in either mortgage or construction lending.) To overcome the above shortcomings in identifying training needs, the Housing Finance Personnel Fax Survey was distributed to the banks to corroborate and expand information obtained in interviews.

The inability of most banks to identify their specific needs to the Consultants could be due to several things. The banks know what they need but will not divulge it because of confidentiality or some other reason; the banks did not prepare sufficiently for the Consultants' visit and questions; the banks are not capable of determining needs in an area that is largely new to them; the banks have not sufficiently investigated their needs because housing finance is not yet a major product; or the banks have not done a comprehensive business plan for housing finance. The answer is probably a combination of all of these. For instance, not one bank could or would present its planned loan production ¹⁴ for the next several years in written form which is difficult to understand if it hopes to make it a profitable bank product. The banking schools, set up by the Polish Bank Association and the commercial banks, say that banks have not expressed a need to have housing finance training, as shown in surveys taken twice a year. There is clearly a communications gap between housing finance departments and their respective members on the advisory boards of the banking schools. In spite of these shortcomings and obstacles, the Consultants feel that the information gathered coupled with the Consultants previous experience in the Polish housing finance sector, allows the bank training needs to be identified as set out below.

1.3.1 Bud Bank Needs

This report makes no assumptions about the future status of the Mortgage Fund and the resulting effect on Bud Bank, but rather that Bud Bank will continue in its current role. Since Bud Bank is the apex bank for the Mortgage Fund, its needs are separated from the other banks.

Bud Bank's training needs are small, according to those interviewed. The technicians interviewed -- one from construction and one from the mortgage department -- are of the opinion that Bud Bank itself needs no training in either mortgage or construction lending. Bud Bank's Advisory Management believes that the bank needs to improve its

On March 20, 1996 Bud Bank listed the Participating Banks as follows: PBG; GBW; BISE; GBG; PETRO; GLOB; PAM Bank; Bank Ćwiêtokrzyski; PBI; Bank Podlaski; PBK and BWR. PKO was also listed but never joined although it did submit a multi-family project. BPH and BBB previously participated on 5 and 7 mortgages respectively. PEKAO recently became a PB.

The banks' sketchy loan production projections are presented in the "Bank Questionnaire Matrix-Loan Number Projections" in the Appendix, item 2B.

ability to analyze the financial statements of banks participating in the Mortgage Fund, and also that its technicians, since they do not deal directly with the public, need to be better acquainted with the practicalities and problems of the participating banks in dealing with customers, the courts, and other matters.

1.3.2 Bank Training Needs

The training needs are extensive and critical if the banks are to improve as housing finance lenders and handle customer demand. Training needs were expressed by the banks for all levels of staff (credit officer, credit supervisors/department heads, vice/branch directors, mid-management, upper-management and board of directors). Training needs are just as critical at the management and board level as they are at the credit officer level but there is a much heavier emphasis on lower staff level training by the banks. Part of this is cultural in that staff at higher levels either do not perceive or want to admit that training is needed. It is a matter of which comes first: educating management so housing finance is understood, supported, planned and advanced throughout the bank; or training credit officers and others in the production area to produce loans in an environment that management does not fully understand and support. An observation is that training of all levels is equally important but this has not been achieved in most banks. This is probably the major error made in introducing and selling the Mortgage Fund and has contributed greatly, along with economic factors, as to why the Fund has not been as successful as desired. Economic factors are not controllable but educating bank management should have been and continue to be as important as training credit officers.

The Consultants have set out below a prioritized, concise evaluation of what the banks said they need. Obviously, some banks are better trained and capable in housing finance than others so the needs set out below are universal needs. A complete list of the specific training needs identified by each bank for the different staff levels is set out in The Bank Questionnaire Matrix and the recapitulation of the Housing Finance Personnel Fax Survey in the appendix, item numbers 2A and 4. The Consultants categorized the needs as best as possible considering there is sometimes an unclear division between staff levels, there exists some overlap in job duties and responsibilities in housing finance, and there are different names for the same subject. Several banks expressed a desire to have training tailored specifically for their bank. The development and implementation of an appropriate training curriculum based on the identified needs will allow individual banks to send staff to selected courses or invite specialists to their bank for “tailored” training.

1.3.3 Credit Officers

Credit officers make all types of housing finance loans (“housing”, mortgage, purchase, renovation, modernization, additions, finishing, single-family construction and multi-family construction loans) but as yet there is not a separation of these lending functions. The greatest need for training both in terms of course content and numbers of potential trainees is at this staff level. This is natural since credit officers are the basic building block of any lending system but moreover there are more credit officers than any other

type of staff. Credit officers are the bank's representative and contact with the consumers. All successful lending program must start at this level and fortunately the banks realize it. The banks expressed a preference that training should not take credit officers away from their jobs for more than three to five consecutive days. The two consecutive weeks of training provided by the Warsaw School of Banking and Bud Bank was generally not acceptable because the banks could not spare employees for two weeks at one time.

Credit officer training is needed in all aspects of housing finance lending.

The most frequently mentioned needs for credit officers were:

- Appraisal analysis (how to read, comprehend and analyze);
- Legal aspects (new laws and housing regulations, collateral law, delinquencies, foreclosures, default-vindication);
- Customer relations (how to properly meet and serve);
- Product knowledge (thorough knowledge of the appropriate housing finance product);
- Sales and customer motivation (pointing out to the customer advantages of ownership such as tax breaks);
- Staff motivation (credit officers need to sell bank products);
- Loan origination (efficient, thorough application taking);
- All aspects of underwriting, other than individual borrower credit, but especially construction and multi-family construction (analyze construction costs, developer financials, project cash flow, project market study feasibility);
- Loan servicing; and
- computer skills.

Appraisal¹⁵ and underwriting seem to be among the most urgent needs since they directly affect loan portfolio quality. In addition, credit officers need training on how to meet and serve the public which would help them to explain and sell bank products.

According to the banks surveyed, the total number of their credit officers that could use some level of training is estimated at approximately 800 now and another 800 over the next three to four years¹⁶. It is expected that the banks have taken into account new

The need for appraisal analysis training is extensive. Banks (credit officers, credit supervisors, engineers) do not have to be able to make an appraisal necessarily, but they absolutely must have the skills to properly read, comprehend and analyze an appraisal. Banks sometimes take an appraisal at face value with no analysis or verification of data, assumptions, value methods, etc. Some banks perform their own appraisals using either unqualified staff or an engineer that evaluates by cost method only, or simply do not require an appraisal at all. At the root of the problem is the quality of appraisals because it is a new science in Poland, their cost, the Bank's understanding of the benefits, and finally low loan to value amounts which encourage banks not to require them.

All estimated numbers presented for potential trainees in this report are only from the interviewed banks' collective estimates plus extrapolation by the Consultants. The actual number is subject to many variables. Whether the real number is 200 or 800 or 1,500 is not as important. What is important is the fact that there is a significant need for training. Also, there is an inherent difference between the number who need training and the

branches, new employees and employee turnover, especially the last one which can be a significant concern at the credit officer level. Several banks mentioned that retraining is needed for credit officers either because previous training was insufficient or because the training has been forgotten due to a lack of use on the job. Since housing finance experience is lacking in Poland, most of these credit officers need training in all aspects. A two part course consisting of a “basic segment” and an “advanced segment” should be designed addressing immediate needs and long-term training needs. The “basic” segment should be designed with the fact in mind that most banks prefer to do as much in-house training as possible and therefore most personnel would have been on the job for a while¹⁷. One of the major criticisms of the Warsaw School of Banking training was that it was not properly designed for its audience, that is it was generally too simple for some and too complicated for others. For instance, there might be a “basic” and “advanced” computer class. It is important to note that the banks will have to be convinced that the training program is well designed or demand will be low to non-existent.

1.3.4 Credit Supervisors/Department Heads

Although different among banks, the responsibilities of credit supervisors or department heads include the review of all loans with respect to underwriting, policy and procedures adherence, and property value /appraisal. Training staff at this level constitutes the second greatest need both in terms of course content and number of potential trainees. Training for them is critical to ensure a high quality loan portfolio through the application of the specific bank’s underwriting guidelines, policies and procedures. The ability to underwrite commercial and consumer credit that now exists in banks needs to be enhanced to include housing finance. Several banks stated that credit supervisors/department heads need the exact same training as credit officers. This makes sense in light of the lack of housing finance experience and the need for this level of staff to know the basics of housing finance lending. Some feel training does not need to be as intensive as for the credit officers.

The specific priority needs most often mentioned were:

- Same type of training as for credit officer;
- Appraisal analysis;
- All aspects of underwriting (especially understanding the unique nature of a developer’s financial statement, i.e. cash flow and the project cash flow on multi-family projects);
- Legal aspects;
- Forms, products, policy and procedures (examples and explanation typical in industry).

number that attend training.

Many credit officers stated in the “Fax Survey” that fellow workers provide the best training and that is certainly true to an extent, that is, when the time, expertise and willingness are available. The problem is that not many credit officers currently know enough about housing finance to train beyond the basics. This is why courses have to be properly designed.

According to the banks surveyed, the total number of credit supervisors/department heads that could use some level of training is estimated at approximately 175 now and another 185 over the next three to four years. The preferred length of time away from the job for a segment of training is two to three days.

1.3.5 Vice/Branch Directors

The job of branch and vice-branch directors is to oversee all operations which includes housing finance lending and they are usually either charged with credit decisions or sit on the loan committee. To effectively carry out these duties, these persons must be familiar with housing finance. There was a variance of opinion among the banks about the depth and content of training needed. However, all agreed that training at this staff level and above must be less specific than for lower staff levels.

The priority needs set out by the banks are:

- A housing finance overview designed for this level (could include the history and current status in other countries and Poland, existing and proposed products used in other countries that are viable in Poland, housing finance as a profitable product);
- Risk management;
- Portfolio quality;
- Organizational structure;
- Marketing the product;
- Asset/liability management;
- Legal basics;
- Strategic planning
- Underwriting.

Although mentioned by only one bank, it is worth noting that PKO, with 800 branches and sub-branches, sees the need for computer skills at this level.

For training to be accepted at this level and above, it must be streamlined, well targeted and offered on a perceived need basis. Many credit officers and credit supervisors probably know more about housing finance at this point than most vice/branch directors and management but this would never be admitted. The demand in numbers of attendees is difficult to estimate from the banks' information. Attendance will depend on numerous variables¹⁸. Collectively, the banks interviewed have over 1,000 branches (not including sub-branches) of which about 800 currently offer some sort of housing finance loan. Additional branches should offer products as demand increases. Properly designed housing finance training would be beneficial to almost all but if only one-third attend now or in the future, then there is substantial need for such a course. The optimum training or conference time was stated as two to three days.

Variables include course design and content, product centralization or regionalization, and bank attitudes toward who should receive training.

1.3.6 Mid-Management (Main Office and Regional Branches)

Mid-managers need basic knowledge in the skills of those staff levels they supervise. The most frequently mentioned needs were:

- Housing finance overview designed for this staff level (could include the same topics as for vice/branch managers);
- Portfolio risk management;
- Strategic planning.

As at other staff levels, a more advanced course in housing finance is needed by the more experienced staff expanding on the topics in the overview. All of the face-to-face bank interviews included at least one mid-management person. The optimum training time was stated as two to three days. The attendance demand for this type of training is not determinable from the data obtained. If a quality educational training product is devised and then aggressively marketed, attendance can be expected to be satisfactory.

1.3.7 Upper-Management

This staff level and above must be convinced that housing finance is an excellent and profitable product in which careers are possible. This is much more evident in the banks today than previously but still needs enhancement. Training at this level and higher has to very well marketed. It probably should not be called training but rather “seminars” or “conferences”. One bank stated that a very respected source such as the Ministry of Finance would have to initiate the process before this staff level would accept it. That may or may not be the case but it is certain that training must be well packaged at this level to be accepted.

Just as with vice/branch directors and mid-management, a housing finance overview was mentioned as the greatest need. The design and content of this review should be similar, but tailored to this audience, and contain the additional topics on mortgage banking and the secondary market (mortgage backed bonds/securitization and other potential long-term financing sources). The other area of need was for strategic planning training. As in other staff levels, the more experienced staff need a more advanced course in housing finance which can be achieved by expanding on the topics in the overview.

Several of the face-to-face bank interviews included at least one upper-management person. The optimum training for high level seminars was stated as one-half to two days. The number of potential attendees is not determinable from the data but apparently there would be some demand.

1.3.8 Board of Directors

Needs similar to upper-management. Specific needs identified are:

- Industry overview (targeted to this audience containing most of the same topics as Upper Management);
- Advanced seminar in strategic planning;
- An idea exchange with other banks;
- The secondary market.

Three of the face-to-face bank interviews were attended by a board member. The optimum training for high level seminars was stated as one-half to two days. Demand will depend on seminar content and marketing.

1.3.9 Other Staff Levels

Two banks mentioned one other staff level that fit none of the above categories, yet both would benefit from housing finance training. These are an advanced housing finance legal seminar or course for ten legal specialists in the bank and a training of trainers course. Other banks would most likely have the same need.

1.3.10 Bank Training Needs Stated by Other Contacts

Interviews with other non-bank sources ¹⁹ revealed the needs set out in the next paragraph. Although these comments do not derive directly from the banks, the Consultants feel they are valuable insofar as these individuals are familiar with the Polish housing finance industry. Most of the comments mirror those of the banks but some are new.

The training needs stated by these observers were an overview of other countries and Polish housing finance, computer and computer models such as the DIM and the Project Cash Flow Feasibility Model, understanding the developer's cash flow statement and the project cash flow, construction tranche monitoring, sales, customer relations, product knowledge, market knowledge, product marketing, product development to fit customer needs, strategic long-term planning, loan servicing of mortgage portfolios, tax laws on mortgage credits, accounting for capitalized interest, portfolio insurance education, management by objectives, and management organization.

1.3.11 Industry Innovations That Will Create Future Needs

Future events in the industry such as the establishment of the Contract Savings Program, the emergence of a secondary mortgage market, and the development of specialized mortgage banks will create training needs. A properly designed training program must consider these potential needs.

1.3.12 Housing Finance Loan Demand For Medium-Term

¹⁹ Comments came from those on the List of Contacts -Other/USAID Contractors (see Appendix, item number 7 and Bud Bank management.

The consensus of the banks is that demand for housing finance will increase over the next three to four years and each bank foresees an increase in production. Housing finance borrowing is seen as the next step following the tremendous increase in consumer borrowing in the last few years. However, as mentioned elsewhere, the loan projections data ²⁰ collected from the banks is not official or comprehensive and therefore projecting the number of future housing finance loans based on this data is not wise. Loan demand in the existing housing market coupled with the demand from new construction ²¹ should be large enough in the medium-term to create a demand for training in housing finance in both mortgage and construction lending.

1.3.13 Geographic Areas

The most active areas in housing finance will be the regions with large urban areas, essentially Warsaw, Poznan, Krakow, Gdańsk, Wrocław, Katowice, Łódź, Lublin and Szczecin. This effectively covers all regions of the country except for the northeast. Training demand will obviously be highest for banks with branches in these areas.

1.3.14 Bank Preferences In Training

The banks want excellent, effective and practical training and are willing to budget funds for it and even increase funding per employee as the staff levels rise. The four banking schools have designed a tuition schedule for other bank training that is deemed acceptable to the banks and the students. It is recommended that a similar tuition structure be used for housing finance training. The optimal length and intensity of desired training varies for staff level ²². Banks prefer as much in-house training as possible all based on the Polish context. Course design by external trainers must be targeted at the appropriate level of staff.

1.3.15 Banks' Assessment Of Current Training Available

With respect to in-house capabilities, the banks realize they have not yet developed the expertise to have the quality in-house training. On the other hand the banks generally were not satisfied with the quality of the little housing finance training currently available from external institutions in Poland. Among other complaints, they find such courses much too theoretical and often impractical, including, for example, their opinion that the Warsaw School of Banking/Bud Bank two weeks training course in housing finance is too long for one session and not properly targeted to its audience.

See Bank Questionnaire Matrix-Loan Number Projections in Appendix, item number 2B.

On file at HFPO is the publication "Draft-Council of Ministers-Housing Policy of the Country" updated November, 1995 which projects mortgage borrowing on newly constructed flats and houses at 19,000 to 25,000 per year from 1997 to 2000. The financing of existing housing should be at least as great as new construction creating a need for 38,000 to 50,000 housing finance loans per year.

See either the Bank Questionnaire Matrix in Appendix, item number 2A or the individual staff level training needs elsewhere in this paper.

1.4 Conclusion

Banks need extensive training in all areas of housing finance and at all staff levels. Needs are especially critical at the production level where loan quantity and portfolio quality can greatly benefit. Upper staff level managers need to be shown the positive benefits of housing finance as a profitable product and to be prepared for the future growth in the sector.

2.0 Current Training Opportunities Assessment

2.1 Background

At the on-set of this assessment, eight institutions were identified as potential housing finance training providers. They are:

1. Housing Finance Project Office
2. Cracow Real Estate Institute
3. Poznań Higher School of Banking
4. Gdańsk Academy of Banking
5. International School of Banking and Finance in Katowice
6. University of Economics - Poznań
7. Warsaw Institute of Banking
8. Warsaw School of Banking

Each of these training providers was interviewed at its training site or office. Where available, classrooms, libraries and publications were viewed as well. Although several more organizations were interviewed for Task 3, the eight organizations above are those with the most potential for offering future training programs in housing finance.

Currently, no single training provider interviewed offers a program specifically in housing finance related to the needs identified in Task 2. Instead, there are several training providers which will either in the near future be offering courses or are currently offering specialized courses within the housing finance field. All training providers evaluate their programs and their instructors through the use of student evaluations. The banking schools use a merit system to evaluate their instructors based on student evaluations.

All training providers either have their own in-house training facilities or make arrangements on an as needed basis. Where available, appropriate sample translated course outlines related to housing finance are included in this report. These are located either in the text or in the Appendix. In addition, where training providers had materials written in English, these are also included in the Appendix. Additional materials from training providers written in Polish are included in a separate binder in alphabetical order which is being held at PADCO. The Assessment Form used to evaluate the training providers is located in the Appendix.

2.2 Assessment of the Training Providers

2.2.1 Housing Finance Project Office

Brief Biography

The Housing Finance Project Office (HFPO) is an advisory group for the Mortgage Fund Program. Established by an agreement between World Bank and the Government of Poland, its purpose is to support the reforms in the housing finance and development sectors. Its main activity is to provide free advice to residential developers seeking the financing of multi-family housing projects from the banks participating in the Mortgage Fund Program. The scope of assistance to developers includes advice during all project stages from preparation through submission of applications until the loans are transformed into individual mortgage loans.

Specifically, HFPO provides developers with:

- Interpretation of rules concerning origination of loans from the Mortgage Fund
- Project analysis concerning its compliance with the program's requirements
- Organization of the project
- Formal and legal solutions
- Marketing
- Design solutions

For those developers who choose to contract construction loans from individual banks participating in the Mortgage Fund, services include:

- A complete computerized cash flow analysis
- Assistance in loan documentation
- Support during presentation of projects to participating banks

Assessment of HFPO's Capability To Provide Training In Housing Finance

Currently HFPO provides training and advisory services primarily to developers. ²³.

²³ See the Appendix for a list of HFPO training programs. Polish language training materials are kept in the binder at PADCO's office.

Recently on request, it has been providing training to bank employees in housing finance as it relates to the technical aspects of multi-family construction.

Dr. Jacek Łaszek, the Director of HFPO, has developed a one semester housing finance program for the Main School of Commerce, which is a respected business and economics school in Warsaw. It is only proposed at this point, therefore, the demand cannot be determined until the course is marketed. The relevance of the program compared to the needs expressed by the banks is minimal. The course is slanted towards large building projects and the banks deal mostly with single family residences. Below is an brief outline of the subjects to be offered under this course, however a more detailed outline exists in the Appendix.

- Apartments as market commodity
- Apartments vs. basic economic conditions
- The role of the state and subjective experience in shaping the housing market servicing system
- Basic segments of the real estate market and interdependencies between them
- Basic financial markets related to the sector
- Major entities and institutions servicing the real estate market, their functions and relations
- Capital markets instruments used for servicing the sector
- Basic forms of mortgage loans
- Creation of the housing property market in Poland
- The financial system
- The construction loan program
- The Dual Index Mortgage
- The mortgage loan program
- The feasibility study
- The investor vs. the bank
- The investment process - Major legal acts and definitions
- Presentation of the Housing Finance Project Office
- Looking to financing your housing project in Poland

This is the only existing program of its kind identified to date. The program is to be offered in the Fall, 1996. The intended audience of this program are bank employees who are interested in this aspect of housing finance. This course as outlined is broad in scope and is intended as an introductory course based on the instructor's knowledge of the field.

Interest In Providing Training In Housing Finance

HFPO has expressed an interest in offering its existing training program to banks as well as an interest in being a coordinating body for future bank training programs. It already has experience in coordinating and delivering seminars for developers throughout Poland.

Summary

HFPO's staff is well educated and experienced in the developer area in housing finance, a part of which would be applicable to the banks' training needs. HFPO should be considered as a source of training within its scope of expertise for the financing of multi-family projects. HFPO has received Christine Ekkebus' three-hour Training for Trainers program, which is typically given over a five day period. Dr. Łaszek is and has been a professor for several years. HFPO could also be considered as a possible Program Coordinator²⁴ of future training activities of the banks.

2.2.2 Cracow Real Estate Institute

Brief Biography

The Cracow Real Estate Institute (CREI) was established in 1992 to provide services in research and development, education, and publishing, as well as the promotion and development of the real estate market. In addition, a special emphasis is placed on establishing and protecting public and private property rights and free flow of information.

More specifically, CREI:

- Provides real estate market information
- Establishes strategic alliances with the government, real estate associations and others for the purpose of supporting the development of private market institutions
- Provides education and training
- Promotes solving problems to improve the quality of decisions in real estate markets
- Assists in opening the Polish real estate markets to foreign investors

CREI's council of advisors consists of the following institutions:

- Cracow Academy of Economics
- Cracow University of Technology
- Institute of Physical Planning and Municipal Economy
- Cracow Industrial Society
- Sendzimir Steel Company

CREI facilitates the interaction among economists, lawyers, engineers, planners and architects in the public, private and academic sectors who want to develop orderly real estate markets and professions. It organizes training sessions for bankers and appraisers, professional associations, government agencies and investor groups. It opened the first

²⁴✓ See Section 3.1 for an explanation of the role of the Program Coordinator.

International Real Estate Library and Information Center in Central and Eastern Europe and currently puts out a number of industry publications, including the following.

- Real Estate World
- English-Polish Dictionary of Real Estate Terms
- Real Estate Forms
- Encyclopedia of Real Estate Economy and Management
- Foundation of Mortgage Credit

The Institute is currently offering courses in real estate appraisal, real estate investment and development, and real estate investment credit underwriting. Its director indicated that banks have expressed interest in training courses in investment in property and in lending on those properties.

Assessment of CREI's Capability to Provide Training in Housing Finance

CREI has the experience and resources available to provide training in housing finance albeit limited to its area of expertise. It is eager to provide training as a possible income source.

Interest In Providing Training In Housing Finance

In the last two years the Institute has conducted over 30 events ranging in size from 50-200 people. It have expressed a desire to provide housing training and are now planning to move more into the training field within its area of expertise. One example is that CREI is planning to offer training programs in property appraisal.

Summary

CREI's principals have extensive experience with Western financial institutions. Although its training capacity somewhat limited in scope nonetheless it can be considered as relevant to housing finance training. CREI should be considered as a training resource within its area of expertise which is property development and, more recently, property appraisal. The principals are Polish, yet speak fluent English. CREI could also be considered as a possible coordinator of future housing finance training activities.

2.2.3 Poznań Higher School of Banking

Brief Biography

The Banking School was officially established in 1994 but its roots date to 1991 with its affiliation with Bank Staropolski S.A. The School offers degrees in finance and banking with specializations in banking, accounting and taxation. Current enrollment is 2,300 students. In addition, the Banking Education Society has enrolled over 5,000 people to attend courses organized at twenty regional branches of its Financial Studies School.

The School employs more than 30 full-time academic teachers, but also draws teachers from state universities and hires practitioners as trainers. It has its own press and provides teaching materials, research newsletters and conference proceedings.

In January 1995, the School signed a cooperation agreement with the Institute of Economic Planning and Financial Investigation in Krefeld, Germany to provide extracurricular classes for Polish bank employees at the Institute's training site in Germany. The School's Economic Education Center provides various specialized programs for bankers, stockbrokers, insurance companies and accounting departments. Nearly 2,000 people have attended these programs since its initiation in September 1995. The School has become the largest autonomous university and the largest non-public educational establishment in Poland.

Assessment of the Poznań Higher School of Banking's Capability to Provide Training in Housing Finance

The School is relatively new, having been established in 1994. It uses professors from the University of Economics in Poznań and practitioners. The Banking School and the University courses are of a general banking nature. Since Polish practitioners in housing finance have not yet been identified, the Banking School currently lacks qualified instructors in housing finance.

The principals of the University suggested that the Agricultural Cooperative Development International (ACDI) be contacted as a reference. One of ACDI's consultants who provides a course for the School indicated her overall satisfaction of the school's organization, facility, evaluation forms and classroom attendance.

Interest In Providing Training In Housing Finance

The School expressed an interest in providing housing finance training, which would be a complementary program to what it already offers.

Summary

The School is apparently successful as determined by the number of its students and branches, and the planned expansions in various cities throughout Poland. Insofar as it is still a new school, it would be advantageous to have a few more references to attest to the quality of training and organization of programs.

2.2.4 Gdańsk Academy of Banking

Brief Biography

The Gdańsk Academy of Banking was established in May 1992 as a separate unit of the Gdansk Institute for Market Economics. The aim of the Academy is to offer practical training to employees in the financial and banking sector in Poland. Most of the course

participants are employees of banks, brokerage houses and other financial institutions. Some funding is received from the Polish-German Co-operation Fund which is financed by the Federal Republic of Germany.

In 1995, the Academy became an associate member of the European Bank Training Network in Luxembourg. Its instructors include practitioners from Polish and foreign banks, and from university professors. Eighty percent of its lecturers are from Polish and Western Banks, while the remaining 20 percent are from the University of Gdansk, the University of Warsaw and the Warsaw School of Economics.

Specific banking courses include global banking, investment banking, insurance, tax-advisory services, foreign languages and computers. The courses are offered as training cycles, postgraduate studies, basic as well as specialized training, conferences and seminars. It can offer customized programs and conferences. Last year, it had 650 students enrolled in the year long postgraduate Banking and Finance program and Investment Banking program. The Academy has a regularly updated library which includes Polish, German and French books on banking and finance, as well as a publishing capability.

The Academy uses a variety of training techniques with an emphasis on practicing the skills learned. In addition, the Academy arranges for postgraduate studies in banking and finance at western banks so students can gain experience abroad. Enrollment last year was about 4,000 students, of whom 90 per cent work in banks.

Assessment of the Gdansk Academy of Banking's Capability to Provide Training in Housing Finance

The Academy surveyed 4,000 students last year, receiving a response from 2,000 students, to assess the needs of the students. The top 20 identified needs were then proposed as either new curricula or amendments to current programs. This survey is carried out every six months. The Academy provided a recent financial statement in their brochure as well as a sample course evaluation form used to evaluate instructors.

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Interest In Providing Training In Housing Finance

The Academy may offer a housing finance program in 1997-1998 depending on the market for such a course and the banking industry's demand for training in this area. Assuming the need exists, it is interested in providing this program if it can be marketed properly. It was suggested that an initial conference with heads of various government officials, real estate agents, loan officers, senior bank management, and possibly foreign experts could offer not only information about the housing market but how to promote this program and possibly even solve problems related to housing issues. The Academy officials seemed eager to present this idea, having found that this approach worked well with another of their training programs.

^{xx} Both are included in the Appendix.

Summary

The Academy would be an excellent partner in providing a future program in housing finance. It has established foreign contacts and affiliations with Western universities and businesses and it understands the marketing and promotion requirement for a new program. It also understands that there must be a need expressed by the banks for a program in housing finance before one can be offered with some assurance of being successful.

2.2.5 International School of Banking and Finance in Katowice

Brief Biography

The International School of Banking and Finance in Katowice (ISBF) was established in March 1991 as an institution for professional training of bank employees and other financial institutions. ISBF was formed through an initiative of the National Bank of Poland, the *Centre de Formation de la Profession Bancaire* in France and 23 of the largest Polish banks. It is the oldest banking school in Poland. Over the past five years, it has trained about 25,000 bank employees, employees of other financial institutions, and individuals. It has branches in Warsaw and Bydgoszcz.

Lecturers come from Polish banks and from abroad. Each instructor is evaluated by the students and a merit system is used to rate the lecturers. The School offers over 1,000 topics related to banking, finance, marketing, capital markets and management. Programs vary in length from 1 to 10 days to as much as seven months. ISBF has its own training facility, library and housing.

Assessment of the International School of Banking and Finance in Katowice's Capability to Provide Training in Housing Finance

The School received the Gold Laur award as the best training institution serving Poland's banking sector. It has been admitted to the European Bank Training Network, the International Foundation for Computer-based Education in Banking and Finance, and the European Foundation for Management Development.

The School indicated that it will be providing a one-semester course in housing finance this Fall which had been proposed and will be taught by a loan department manager from PBG. The proposed outline follows one which was submitted by one of the biggest branches of PBG and may be followed for this course. If given, the course is intended for open enrollment so any bank employee can attend. The course was developed not by request but rather because the school believes that there is an interest in the subject.

- Requirements pertaining to construction projects:
 - scope of infrastructure financed with the loan
 - legal status of construction land

- Assessment of project costs; source of finance for the project
- Loan application for multi-family construction:
 - receipt of loan application and verification of data
 - analysis of loan application
 - loan collateral
 - procedure of loan origination - in accordance to regulation defined in the Ordinance to the Ministry of Spatial Economy and Construction
 - loan agreement
 - required procedures for disbursements (tranches) and conditions for disbursing.
- Loan package:
 - loan files and registers
 - access to registers and documents
- Monitoring:
 - monitoring of loan
 - bank procedures in case of payment problems

Interest In Providing Training In Housing Finance

The School is interested in providing a training program in housing finance, which it will introduce in Fall, 1996. The proposed instructor (Mr Arkadiusz Niewêg³owski from PBG) does not have a set program or course outline, but the outline above or a variation of it may be used. He is currently providing in-house training for PBG.

Summary

Mr Niewêg³owski from PBG expects to offer a program in housing finance with the course contents yet to be fully determined. His housing loan experience at PBG includes having closed 6 single family construction loans, 4 mortgage loans and 2 multi-family construction loans, which are in the process of being closed. He graduated last year with a degree in Mathematics. He currently supervises two credit officers, plus another officer in July 1996. If this housing finance training program is eventually given, it will be the first such grassroots attempt. The instructor would be an ideal candidate for future training in housing finance.

Last year, ISBF offered a seminar on housing management for 18 people. The School indicated that it expects training needs in housing finance to increase over the next few years so it plans to offer more general courses at first, then move into specialized programs for specific audiences. It will offer a 3 to 5 day housing finance program for credit officers at the National Housing Fund. The School indicated that about 100 people in the Katowice area are involved in housing finance.

2.2.6 University of Economics - Poznań

Brief Biography

Established in the 1920's, this University has about 14,000 students. Within the University, the School of Construction was established in 1970 to deal with economic issues in construction and real estate. Its research is focused on investment projects, assessment of effectiveness of investment projects, housing management, property appraisal, and property management. The School employs eight full-time faculty.

In October 1996, the University will provide a postgraduate program in the Economics of Real Estate Investments.²⁶ The Graduate Study Program in Real Estate Economics and Investments was organized in 1994 by the Faculty of Investments and Construction. It is the first stage of specialized training for university graduates who want to pursue a career in real estate or to expand their knowledge in this field. The curriculum fulfills all the criteria required for postgraduate studies carried out by universities. This two semester course of study is suited for graduates from faculties of law, economy, and from technical faculties. Successful graduates of the program will obtain a diploma after they have participated in the lectures, prepared a thesis and passed the final exam.

<u>Subject</u>	<u># of hours</u>
• Role of real estate in market economy	10
• Legal regulations for real estate business in Poland	15
• Insurance for real estate properties	15
• Financing properties	15
• Methods for property appraisal	30
• Investments in real estate	15
• Real estate market analysis	15
• Real estate properties buying and selling	15
• Local authorities and real estate management	10
• Real estate administration	15
• The basics of construction	15
• Optional lectures (to be selected)	30
• Seminar	30
Total	230

Assessment of University of Economics - Poznań's Capability to Provide Training in Housing Finance

The University has many contacts with real estate research institutions in Poland, Germany, the US and Austria. In addition, it works closely with the Eastern European Property Foundation in Washington D.C., the Institute of Real Estate in Chicago, and Polish real estate associations. It intends to prepare proprietary text books in real estate

→* A more detailed description of this program is in the binder at PADCO's office.

management. It has a library of over 1,500 books in real estate investment and construction and has published a number of books related to real estate construction.

Interest In Providing Training In Housing Finance

The University is planning to offer housing finance training to the GBW bank in Poznań in the near future. While still in the discussion stages, the program they would be only for GBW employees. The University, however, has expressed an interest in providing an open enrollment program in housing finance if it can find the qualified practitioners needed for such a program. Currently, it is not actively seeking qualified practitioners because of a belief that they do not exist.

Summary

The University is well established and is now breaking new ground in providing a program in real estate and real estate construction. It has expressed a concern about its faculty's lack of practical experience in the emerging fields of study in real estate and housing finance as well as a shortage of literature on these subjects. In addition, if foreign experts are used as teachers, their material must be revised to fit the Polish context. It believes the need exists, nevertheless it remains concerned about the overall lack of instructors and qualified specialists in these fields. While not the ideal solution, it does have affiliations with Western organizations which may provide the level of teaching experience that is needed to deliver such programs effectively.

2.2.7 Warsaw Institute of Banking

Brief Biography

The Warsaw Institute of Banking (WIB) was established in 1993 by the biggest Polish banks, some private banks and the Polish Bank Association. USAID is currently providing assistance to WIB. The Institute's focus is on providing training to mid- and upper-level bank managers. Specifically, WIB offers programs in bank management, marketing and strategy, credit, banking operations, accounting and bank financial management, information technology, and legal issues. The programs are provided as short specialized courses, executive seminars and programs organized abroad, long-term vocational training, publication of professional literature, and consulting services in human resources. The instructors include practitioners from Poland and abroad. It has a small training facility and rents other training sites, when necessary.

To meet the growing demand from banks for customized programs, WIB is expanding internal bank training for individual banks. It surveys the students continually to update training programs to meet the needs expressed by the banks and their advisors. The latest major survey, which took place in the Spring of 1995, consisted of telephone, paper, and face-to-face interviews, as well as consultations with its Advisory Board. Based on the survey data, the curriculum was established for the current year.

Specialized seminars for executive bank managers are undertaken with international schools such as Northwestern University's Kellogg Graduate School of Business and the Instituto de Formacao Bancaria in Portugal, for example.

Assessment of the Warsaw Institute of Banking's Capability to Provide Training in Housing Finance

WIB is in the unique position of having professionally trained banking trainers. This cadre of nine instructors has received training abroad and has specialized in asset and liability management, money and capital markets, and credits. The Institute has delivered over 200 courses for some 3,500 participants from 50 Polish banks. Statistical information show that 70% of the students are bankers with less than three years of banking experience, 80% are less than 44 years old and 50% are between the ages of 25 and 34. Almost 50% hold managerial positions in their banks.

Interest In Providing Training In Housing Finance

WIB is interested in offering a program in housing finance when it appears that the banks are able to offer better mortgage products to the consumer. It is always responsive to the client's needs and at this time neither its clients nor its advisors have indicated a need for training in housing finance. However, an interest was expressed in offering such a program and in seeing the findings of this report.

Summary

The Institute specializes in programs for mid- and upper-level management, which would fit nicely into a housing finance program geared to this audience. Still it has not identified much interest in housing finance training. The technical and financial assistance from donors has improved the quality of its programs.

2.2.8 Warsaw School of Banking

Brief Biography

The Warsaw School of Banking (WSB) is currently undergoing a reorganization due to the death of a senior partner. It is unclear whether the School will continue to operate. The Director indicated that at this time he did not wish to provide any brochures, programs or instructor biographies until perhaps the Fall of 1996 when some unspecified legal issues are resolved. During the past year, it conducted the several training sessions in housing finance, including a 10 week, (3 hour/ week pilot training session for BG, a course for PBG in Lodz, and some training for PBK.

Assessment of WSB's Capability to Provide Training in Housing Finance

WSB was a pioneer in providing training in housing finance. However, it is reported that the training sessions often missed their mark, and were taught by instructors with little or

no experience as practitioners in housing finance.

Interest In Providing Training In Housing Finance

Due to the School's circumstances, it cannot commit to providing training in housing finance at this time.

Summary

WSB should not be considered at this time as a viable training resource in housing finance.

2.2.9 Conclusions

The Consultants identified and assessed the four specialized banking schools in Poland, which are:

- Poznań Higher School of Banking
- Gdansk Academy of Banking
- International School of Banking and Finance in Katowice
- Warsaw Institute of Banking

Each of these schools is in a very good position to deliver housing finance training and in some cases possibly design or develop a training program in housing finance. They have contacts not only with Polish Banks but also have ties to foreign expertise. They are already in the business of training and are successfully delivering training to large numbers of students. The four level certificated bank training program which they all subscribe to is an ideal place for developing a program in housing finance. The Program Coordinator, the various donors, the banks and the banking schools must now determine how the schools could or would work together to develop and deliver training in this new area.

In discussions with the training providers, a consistent theme was that currently there is an insufficient interest in providing a program in housing finance. Yet even if a program were started, it should be no more than five days if offered to lower level bank employees; three days for mid-managers and one to one and one-half days for top managers. Evenings and weekends are the best time for giving the courses.

WIB will be conducting a training needs assessment in the Fall of 1996 with the assistance of the Barents Group, under a USAID-assisted program. It is recommend that this assessment include a section on the need for housing finance training. ²⁷

The banking schools sometimes work together but more often each school has carved

^{27x} A copy of this report will be given to Barents Group in early September.

out a niche and/or specializes in a certain geographical area, specific audience or curriculum.

<u>School</u>	<u>Niche</u>
• Poznań Higher School of Banking	Too new to say what the niche is. Focus on banking, accounting and taxation.
• Gdansk Academy of Banking	All levels. Students come from banks, brokerage houses, and other financial institutions.
• International School of Banking and Finance in Katowice	More entry level programs but includes all levels. Level 1. Focus on banking, finance, marketing, capital markets and management.
• Warsaw Institute of Banking	Mid and upper level management. Level 2 and 3. Focus on bank management, marketing, credit, banking operations, accounting, legal issues, information and information technology .

All the banking schools have a standardized student evaluation system based on four levels of certification. Two certification levels have already been designed, while levels three and four are still being developed. The standards established for certification are published in the 1996 Union of Polish Banks and the Foundation for Banking Education and Research.²⁸ The purpose of the certification is to give the banking community a set of standards defining the qualifications for bank employees which would be respected by the Polish banks. The program assesses the knowledge, skills and abilities that are needed at each level of qualification and thus helps bank employees to more effectively plan their careers. The banking schools benefit by making it easier to plan educational curriculum.

The first certification level is a basic program in providing general banking knowledge for new bank employees. Courses include money and banking, Poland's banking system as compared to other banking systems, organization and management of commercial banks, banking operations, types of banking products, and legal aspects. The duration of the program is from two to six weeks and is usually taught evenings and weekends.

The second level focuses on a specialist area within the bank. Courses include basic elements of marketing, the Polish banking system, banking operations, underwriting, loan analysis, and marketing. Many of the programs are similar to Level 1 but at a more in-depth level. The program is covered in nine months or 18 weekends conducted every second weekend. The third level will be provide specialization in a selected skill area,



such as organization and management, national and domestic banking operation, bank accounting, foreign banking operation, loan analysis, marketing, and so on. The course participants pass exams set by an independent Interschool Examination Board composed of representatives of the Polish Bank Association, the Gdansk Academy of Banking, the International School of Banking and Finance in Katowice, the Warsaw Banking Institute, and the Foundation for Banking Research and Education.

The banking schools in Katowice and Gdansk deliver Level 1, while WIB delivers Level 2 and 3. The candidate's prerequisites for entrance to the Level 2 program is two years experience, recommendation from the bank and a high potential for promotion. The banks pay for the tuition and many banks helped to develop the program as well as provide additional funds.

2.3 Additional Notes

2.3.1 Eastern Europe Real Property Foundation

Al Van Huyck of the Eastern Europe Real Property Foundation (EERPF) was contacted by phone. He stated that the EERPF may be able to provide names of housing finance experts if needed, but it does not have any plans to provide bank training. EERPF is developing courses in its specialties of property management and income management for Poland and Russia in the Fall of 1996.

2.3.2 Lower Silesia School of Banking

This School was not contacted or interviewed, however, it is understood that the school specializes in providing courses for banks working in restructuring or reorganizing industrial or commercial companies. Examples of courses include assessment of credit risks for businesses, bonds, analysis of investment projects, preparing a balance sheet, and meeting legal requirements.

2.3.3 Stalowa Wola School of Banking in Rzeszów

This School was not contacted or interviewed, but it is purported to specialize in providing basic banking courses. Courses include teller training, marketing, fraud, and other basic introductory banking courses for general entry level positions within a bank.

2.3.4 The Foundation of Education And Research

This Foundation was established by a number of banks for whom it conducts research on behalf of those and other banks. It works with the banking schools and other secondary and higher schools of education. It does not do any direct training.

3.0 Recommendations

The recommendations in this section are based on the findings and conclusions in the previous sections as well as on a number of assumptions, as listed below.

- In the first place, it is recognized that there is no “quick fix” to solving the need for training in housing finance.
- The sponsoring banks themselves must contribute to the funding of the housing finance training programs to ensure its acceptability as well as its financial feasibility.
- Today Polish credit officers and other bank employees lack sufficient skills and experience to conduct training in housing finance, whether it is in-house or in a classroom.
- Housing finance training programs must be taught by practitioners and not professional trainers or professors.
- All training programs must be designed to be self-sustaining, so that they will continue after the donors have ceased operations in Poland.
- The training programs must be comprehensive to include the basics of housing finance as well as advanced lending practices.
- The programs must be designed to fit the Poland’s housing finance environment.
- The program must include a Training for Trainers component to ensure the availability of Polish speaking practitioner/trainers.

3.1 Program Coordinator

It is recommended that a Program Coordinator be designated to govern and oversee the entire housing finance training program from development through delivery to its conclusion. This Program Coordinator would be selected by the funding institutions or donors involved in sponsoring the housing finance program. The Program Coordinator could select one or more of the four schools to design and deliver the training. Concomitantly, the Coordinator could divide the program into various levels with a school being responsible for one aspect or conduct the program geographically with each school covering all the courses. In addition, the Program Coordinator would have a key role in assisting in the selection of foreign experts and coordinating funding. The Program Coordinator is accountable to its donors.

Further, it is recommended that the Program Coordinator assist the schools with marketing, promotion and organization of the training program. The Program Coordinator would monitor the development of both the interim and permanent aspects of the training programs for all levels of housing finance as discussed later in this section. The Program Coordinator would also assist in overcoming obstacles and resolving issues encountered by the banking schools, banks, students and donors.

The donors should design a set of criteria to select a coordinator for this multifaceted role and conduct interviews with the prospective organizations or people. Organizational candidates may include but are not limited to the Housing Finance Project Office, CREI, a University or a not-for-profit company.

3.2 Banking Schools

Poland already has a institutional framework for educating bank employees which are sponsored by the banking system. These are the four Banking Schools consisting of the Poznań Higher School of Banking, Gdansk Academy of Banking, International School of Banking and Finance in Katowice and the Warsaw Institute of Banking. Each school can design, deliver and evaluate bank training programs and collectively, they are well-located geographically throughout Poland. It is recommended that one or more of these Schools be used as the vehicle to deliver the training needed in Housing Finance. It should be made clear that the role of the banking school(s) is to be a training provider, while the role of the Program Coordinator is to determine the role of each school. Although the training program will ultimately be delivered by Polish experts and practitioners, the training program must initially be designed and delivered by Western training experts in housing finance. It is expected that the foreign experts would use their own country's existing programs and adapt them to fit the Polish context requirement.

3.3.3 Types of Programs to be Offered

It is recommended that both an interim and a permanent housing finance program should be set up that can be delivered simultaneously. An interim housing finance program would be established to meet the immediate and on-going demand for training for credit officers and credit supervisors. This solution will fill the training needs at the most critical level while the permanent training program (see next paragraph) is being developed. The interim program would initially use mostly foreign experts to provide instruction three to four times per year at four to five day workshops. The course curriculum and materials would be prepared from local and foreign sources. After the cadre of students have graduated from the permanent program and become certified trainers, they could begin teaching the interim training program, reducing the need for foreign teachers.

The permanent program builds a sustainable training program by creating a cadre of Polish practitioners who in turn train others in housing finance as well as provide housing finance courses. It will be a certificated program. The students meet in a classroom setting once a month on weekends for one year and supplement the program with self-study and practical exercises which the students complete before the each class meeting. The teachers communicate with the students regularly during the month, including the possibility of on-site visits to the student's bank. The first year's long-term program should be limited to 20 credit officers. The permanent program will utilize training materials developed by a Training Team (see section 3.3.5). Because this material will not be ready immediately, the permanent program will not begin at the same time as the interim program, hence the need for an interim program. Courses will be designed and offered for both credit officers and credit supervisors.

It should be pointed out that both the interim and permanent training programs in housing finance are expected to be offered through one or more of the banking schools listed at the beginning of this section.

The housing finance program for credit officers and credit supervisors is expected to include three levels of training. However, as discussed in 3.3.6 on course contents, the alternative credit supervisor course might not offer Level 3 training. The three levels of training are listed below.

- Level 1 Mortgage lending and single family mortgages.
- Level 2 Advanced construction lending for single and multi-family units.
- Level 3 Teaching the students to be housing finance teachers (this is only for students who wish to become teachers and trainers).

At the end of one year, the student who completes all three levels is now a certificated new trainer and eligible to become an adjunct faculty member of a banking school. This is only part-time position and may only require one semester of weekend classes which meet monthly. The cadre of new trainers will consist of 20 individuals and the requirement for training of new housing finance staff will depend on the demand expressed to the banking schools. The intent of the program is to not interfere with the new trainer's employing bank. The commitment for the new trainer is to be available to train for one year.

3.3.4 Housing Finance Training Workshop

It is recommended that a workshop on housing finance training be conducted . It will serve several purposes. First of all , it should raise the awareness of bank officials that such training will be provided and get the bankers to begin considering how to participate. Secondly, it will encourage the banks to support the training. Thirdly, it may help identify a Program Coordinator, if one has not been identified prior to the conference. Finally, it will lay the groundwork for future housing finance training in Poland.

Topics for discussion at this workshop may include:

- A summarized version of this report and its recommendations.
- Role and need for a housing coordinator
- Role of the banking schools in housing finance training
- Projections of the need for trained housing finance officers in banks
- Financing housing finance training
- Identifying the training team; its composition and role

3.3.5 The Training Team

It is recommended that a training team be set up to develop the housing finance training program . The purpose of this training team is to design and develop a housing finance training program, including the interim and the permanent program. This also includes developing the curriculum, preparing the evaluation criteria, assessing the need for

housing finance training ²⁹, preparing program objectives, and in general, working with the Program Coordinator to ensure that the program is successfully prepared. More specificity about the training team's role and responsibility would emanate from the above mentioned housing workshop.

In principal, the training team should essentially consist of Polish experts, with expatriate experts involved only in specialized areas. The team members and each ones role is as follows:

The Program Coordinator who role is to manage the training team, promote the program, communication, and overall program coordination.

- A bi-lingual instructional designer who can develop or adapt foreign programs to fit the Polish banking environment.
- Housing finance specialists, both Polish and expatriate, who can provide technical inputs to the instructional designer as well as review the curricula for content and accuracy.
- A bi-lingual trainer to assist the team in developing the curriculum, conducting the needs assessment and preparing the evaluation criteria.
- The local and foreign trainers who will be giving the interim and permanent training courses.

Insofar as only accredited programs will be offered, the Team will ensure the courses meet this qualification. The Training Team is expected to conduct a subject matter needs assessment of students and their financial institutions, conduct a task analysis or performance analysis, establish program objectives, evaluate the student's progress, and evaluate the program's effectiveness.

The duration of the Training Team will depend on the speed at which the interim and permanent courses are initiated, the availability of materials and if necessary, their translation, and the prospects for institutionalizing the Team's activities.

3.3.6 Course Contents

It is recommended that the following list of subjects be considered for inclusion in the interim and permanent training programs. It should be pointed out that the difference between the two programs as they affect the courses will be the course material and scheduling. Students taking the interim program will use materials that have been adopted from foreign materials and take the course in a condensed period of time. Students taking the permanent course will probably begin somewhat later than the interim course students in order to give the Training Team an opportunity to develop of curriculum and course materials for the first few lessons. Foreign teachers will be used for both programs, however after the graduation of the first permanent class, local teachers will be available for give the training.

²⁹⁺ In conjunction with the Needs Assessment to be prepared by the Barents Group. See section 2 of this report.

Credit Officer Training Level 1

This level covers students who are taking the interim program, as well as for students who are taking the permanent course which leads to becoming a trainer. The contents of this training course should include:

- An overview of housing finance in Poland and other countries
- Introduction to housing finance lending
- Single family mortgage (types of instruments and calculations)
- Single family construction
- Sales skills Level 1
- Customer relations
- Computer skills Level 1
- Time management
- Housing finance legal basics (new laws and housing regulations, collateral law, delinquencies, foreclosures, default-vindication)
- Poland's real estate market
- Loan origination of mortgage and single family construction
- Underwriting
- Loan closing
- Tranche monitoring of single family construction loans
- Loan servicing
- Appraisal review/analysis for mortgage and single family construction
- Case studies in mortgage lending

Credit Officer Training Level 2

Based on the Consultant's analysis of the bank's training needs in Poland, courses at Level 2 should include:

- Sales Skills Level 2
- Computer Skills Level 2
- Multi-family construction
- Loan origination of multi family
- Underwriting multi family (analysis of project cost, market analysis to include supply and demand, developer's financials especially the cash flow statement, contractor's financials, project cash flow analysis)
- Closing multi family
- Tranche monitoring of multi family
- Appraisal review/analysis for multi family
- Case studies

Credit Officer Training Level 3

- Training for Trainers Program
- How to conduct an In-house training program

- The program concludes with the Training Team evaluating the students' classroom and in-house training program over a six month period. The Training Team is to assist the student trainers in whatever capacity is needed.

It is expected that by the end of one year (for levels 1, 2 and 3), graduates of the permanent program can replace all the expatriate teachers and continue teaching this same course through a banking school, albeit based on the curriculum and materials developed by the Training Team. It is also expected that a review of the role of the Training Team and the Program Coordinator will take place at the end of the first year to determine if any changes or modifications should be made.

Housing Finance Training Program For Credit Supervisors/Department Heads

The credit supervisors/department heads may also participate in the same training program for credit officers or a separate three month certificated program may be set up. The three month program would also be designed to be a combination of classroom, self-study and on the job practical exercises. The program is limited to 20 Credit Supervisors per three month session. It is a certificated program that meets on weekends. The training team communicates with the students regularly to include on-site visits to the student's bank. This three month course will not qualify the student as a trainer, although the one year course which includes training at Level 3 will do so.

In addition to the contents of the credit officer course, the supervisory course will include additional courses in:

- Marketing and sales
- Customer relations
- Accounting
- Problem solving
- Decision making skills
- Preparing sales projections
- Monitoring loan Production

Admission Requirements for the Two Courses

The admission requirements for prospective housing finance applicants to attend one of the training programs should be the following:

- Currently a loan officer in a bank.
- Have closed three or more housing finance loans.
- Willing to teach for at least one year part-time in a Banking School after graduation from Level 3.
- Willing to conduct in-house training for their respective bank for at least one year upon completion of Level 3.
- Polish nationality.
- Preferably has education or experience in training.

- Lives in areas where training is needed or held.
- Must be approved by their bank.

The requirements for attendance of the supervisory officer course is essentially the same as for the credit officer course, expect that the prospective student must be a supervisory officer or experts to become one on completion of the course. Banks sponsoring a training participants must be willing to pay the training cost and to allow release time for conducting classroom training for at least one year after certification, if the training takes place during working hours.

Vice/Branch Directors, Mid Management, Upper Management, Board of Directors

Training programs for these groups would be customized and perhaps organized as executive round tables or conferences. For the more senior bank position, brief specialized courses and workshops should be designed and delivered. The trainers for these programs must be professionally respected and knowledgeable people from Poland and other countries. The length of time for the program may range from one-half day to 2 days at the most. Assistance will be needed for the schools to effectively market and promote the housing finance training program to this group of influential bankers.

Courses should include topics such as:

- Housing finance overview
- Portfolio risk management
- Portfolio quality
- Organizational structure
- Marketing housing finance products
- Housing finance as an income source
- Asset /liability management
- Legal basics
- Strategic planning
- Underwriting
- Mortgage banks
- Secondary market
- An idea exchange with other housing finance banks (guest speakers or conference)

APPENDIX

1. BANK QUESTIONNAIRE (Blank)
2. BANK QUESTIONNAIRE MATRIX
 - A. TRAINING NEED AND TIMING
 - B. LOAN NUMBER PROJECTIONS
3. HOUSING FINANCE PERSONNEL FAX SURVEY (Blank)
4. RECAPITULATION OF HOUSING FINANCE PERSONNEL FAX SURVEY
5. KEY BANK DATA (PROVIDED BY USAID-ECONOMIC RESTRUCTURING OFFICE)
6. RZECZPOSPOLITA MATRIX DATED JUNE 17, 1996
7. LIST OF CONTACTS
8. BRIEF RESUMES OF ASSESSORS
9. STATEMENT OF WORK FOR RFS-39
10. TASK 3 DATA
11. LIST OF DOCUMENTS CONSULTED (not attached)
 - *Training of Trainers in Construction and Mortgage Finance Training Programs* , Catherine Re and others, PADCO and FNMA, October 1994
 - English-language training and course material used by the Warsaw School of Banking
 - *Report on the Status of the Polish Housing Sector* , Amy Hosier and others, The Urban Institute for PADCO, June 1995
 - *RHUDO/Warsaw Assessment Report* , The Urban Institute, July 1995
 - *Mortgage Fund Operations Manual* , Bud-Bank, July 1995
 - Background papers describing the scope of work of EBRD technical assistance
 - PBK Assistance Update Memo from PADCO to AID dated April 13, 1995
 - Training Provider Brochures (Master copy on file at PADCO)

- Dr. Jacek Łaszek Discussion Paper On Housing Demand for Housing Research Institute Study dated 1995.
- *“Draft-Council of Ministers-Housing Policy of the Country”* updated November, 1995